



Feed the Future Country Fact Sheet

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Increasing Access to Finance and Technology for Smallholder Farmers in Tajikistan



USAID

In Tajikistan, Feed the Future is helping smallholder farmers finance the purchase of agricultural machinery like tractors to increase their productivity and incomes.

In Tajikistan, many smallholder farmers do not have access to modern agricultural machinery that can help increase their productivity and improve both food security and incomes. According to a 2010 International Finance Corporation study, tractor usage declined steeply in the two decades since the end of the Soviet Union: by 2008, the number of tractors in Tajikistan had fallen to 43 percent of 1991 levels, and most of the remaining tractors are outdated and in disrepair.

The majority of smallholder farmers cannot afford to purchase new tractors and there are few rental opportunities. Without access to credit, they often have no choice but to continue farming without the benefit of modern equipment. In Tajikistan, loans tend to be too expensive for rural smallholders to take advantage of financing, and they can rarely meet the rigid collateral requirements or pay back the loan within the typical short-term lending periods.

Feed the Future is helping smallholder onion and fruit tree farmers in Tajikistan's southern Khatlon province overcome these challenges with grants they can use as partial funding to invest in tractors and other small farm equipment that will boost productivity and efficiency. Through a program managed by the U.S. Agency for International Development (USAID), participating farmers receive grant funding for up to 25 percent of the total value of new equipment being purchased.

Grantees are required to finance the remaining cost of the new equipment with a loan. In order to help unlock financing for these farmers who would typically struggle to obtain a loan, USAID worked with local financial institutions to develop a loan product that gives smallholder borrowers up to two years to pay back their debts. The lending institutions also agree not to seek any collateral beyond the tractors, allowing farmers to access financing even with few assets.

To help ensure farmers can repay their loans in full, USAID trains them to prepare financial analyses and assess their operations, and supports them throughout the credit application process. Farmers also receive training and agricultural extension services to help them implement better production practices and use high-quality inputs on their farms.

Since the program began, 100 farmers in the target region have purchased or ordered tractors and another 52 tractor grant applications are currently in process for 2014. Farmers participating in the program buy tractors and other farm machinery directly from two local suppliers, Madadi Tursunzoda and Agrotekhservice, promoting business expansion and competition in the local agricultural equipment market.

The benefits of this increased access to technology accrue to more than just the grant recipients, many of whom use their tractors to provide farm services to hundreds of neighboring farmers in their communities. Kholov Behruz reported that six months after he purchased a tractor with support from Feed the Future, he earned over \$3,800 in income by providing custom services to 28 nearby farms, in addition to improving production on his own farm. To date, this financing program has directly benefited more than 1,500 farmers who are cultivating over 1,700 hectares of land.

The more than \$477,000 in Feed the Future grants invested in this program have spurred over \$1.7 million in further investments from farmers in Khatlon province, including \$645,000 in loans, meaning that public investments are leveraging private investment dollars at a rate of 4:1. By helping link smallholder farmers to the formal finance sector for the first time, Feed the Future is helping create an environment where both family farms and private industry can thrive.